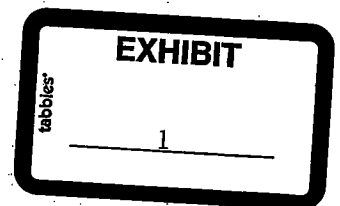


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COMPLAINT AND DEMAND FOR JURY TRIAL

COMES NOW PLAINTIFFS, James E. Mitchell, Sr. and Brenda L. Mitchell, and allege as follows for their complaint:

1. Plaintiffs file this action seeking damages for violations of Maryland law governing the making of second mortgage loans. Plaintiffs received a second mortgage loan from CALIFORNIA LENDING GROUP, INC. that included illegal and deceptive charges. This secondary mortgage loan was ultimately assigned to and is now held by PSB LENDING CORPORATION which is liable for damages and penalties under Maryland law for CALIFORNIA LENDING GROUP, INC.'s charging Plaintiffs closing costs in excess of those authorized by the Maryland Secondary Mortgage Loan Law.

2. The Court has jurisdiction over this case pursuant to Maryland Courts and Judicial Proceedings Code Annotated §§ 6-102 and 6-103 (2000). Plaintiffs obtained a secondary mortgage loans in Maryland and was thereby damaged. Defendant has transacted business in Maryland, caused tortious injury in Maryland and used or otherwise held an interest in real property located in Maryland.

3. Venue in this case is founded on Maryland Courts and Judicial Proceedings Code Annotated § 6-203(b) (2000).

4. Plaintiffs James E. Mitchell, Sr. and Brenda L. Mitchell, individuals, reside at 5604 Cedonia Avenue, Baltimore, Maryland 21206.

5. Defendant CALIFORNIA LENDING GROUP, INC. is a foreign corporation with its principal place of business at 3351 Michelson, Suite 100, Irvine, California 92612. CALIFORNIA LENDING GROUP, INC. can be served legal process by serving Maryland Department of Assessments and Taxation, Service of Process Unit 301 W. Preston Street, Room 801, Baltimore, Maryland 21201-2395.

6. Defendant PSB LENDING CORPORATION is a California Corporation. PSB LENDING CORPORATION can be served legal process by serving Paracorp Incorporated, 245 West Chase Street, Baltimore, Maryland 21201.

7. The Maryland Secondary Mortgage Loan Law ("SMLL"), Maryland Commercial Law Code Annotated §§ 12-401 *et seq.* regulates the issuance of secondary mortgage loans in the state of Maryland.

8. A "Secondary Mortgage Loan" is defined by the SMLL as "a loan or deferred purchase price secured in whole or in part by a mortgage, deed of trust, security agreement, or other lien on real property located in the State, which property: (i) is subject to the lien of one or more prior encumbrances, except a ground rent or other leasehold interest; and (ii) has a dwelling on it designed principally as a residence with accommodations for not more than four families." Maryland Commercial Law Code Annotated §§ 12-401(i).

9. A Secondary Mortgage Loan as defined by the SMLL which is secured by real property located in Maryland is subject to the SMLL and all other applicable laws of the State of Maryland. Maryland Commercial Law Code Annotated §§ 12-412.

10. Pursuant to the SMLL, a properly licensed or registered lender may only charge and collect the actual fees paid to a public official or governmental agency for recording or satisfying the instrument securing the loan. No other expenses or charges are permitted under the SMLL. Maryland Commercial Law Code Annotated §§ 12-405(b).

11. Plaintiffs James E. Mitchell, Sr. and Brenda L. Mitchell obtained a secondary mortgage loan (as defined by the Maryland SMLL) from CALIFORNIA LENDING GROUP, INC. on October 9, 1997, secured by a lien on their residence. The principal amount of the loan was \$37,100.00. The interest rate was 14.395 percent. The last scheduled payment under the loan is due on November 1, 2012.

12. CALIFORNIA LENDING GROUP, INC. received a promissory note from the borrowers and was named the beneficiary of a second mortgage Deed of Trust to secure those loan. The Deed of Trust and Promissory Note were signed "Under Seal."

13. At closing, James E. Mitchell, Sr. and Brenda L. Mitchell were charged the following illegal fees under the SMLL: a Credit Report fee of \$25.00; Processing fee of \$200.00; Underwriting fee of \$225.00; Settlement or closing fee of \$375.00; Title examination fee of \$275.00; Title insurance fee of \$100.00; Judgment search fee of

\$30.00; Release fee of \$50.00; and Airborne fee of \$55.00. By charging these fees

CALIFORNIA LENDING GROUP, INC. violated the Maryland SMLL.

15. The above mentioned illegal fees were pro-rated over the life of the loan so that every monthly mortgage payment includes a portion of the illegal fees disguised as principal and interest payments.

16. Subsequent to the closing of the second mortgage transaction, CALIFORNIA LENDING GROUP, INC. or its assignees sold the note and the rights associated therewith to PSB LENDING CORPORATION.

17. PSB LENDING CORPORATION had a duty to make sure that all financial instruments it purchased, including secondary mortgage loans, complied with Maryland law.

18. PSB LENDING CORPORATION continued to collect interest on the loan and to collect and benefit from the illegal fees charged by the originators, thereby further harming the Plaintiffs.

19. As the purchasers and/or assignees and holders of the note and mortgage made by CALIFORNIA LENDING GROUP, INC. to Plaintiffs, PSB LENDING CORPORATION is liable to Plaintiffs.

COUNT I

VIOLATION OF THE SECONDARY MORTGAGE LOAN LAW.

Maryland Commercial Law Code Ann. § 12-401, et seq.

20. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 through 19 above as though fully set forth herein.

21. CALIFORNIA LENDING GROUP, INC. violated the provisions of the SMLL when it charged Plaintiffs inflated expenses or expenses which were not authorized by the SMLL.

22. As a result of CALIFORNIA LENDING GROUP, INC.'s violations of the SMLL, all Defendants are required to refund to the Plaintiffs the amount of improper charges included at closing and all interest payments made on the secondary mortgage loans to date.

23. As a result of CALIFORNIA LENDING GROUP, INC.'s violations of the SMLL, all Defendants are permitted to collect only the principal amount of the loan and may not collect any interest, costs, or other charges with respect to the loan.

PRAYER FOR RELIEF

WHEREFORE, the Plaintiffs request that This Honorable Court issue an order and judgment against the Defendants as follows:

1. Ordering Defendants to refund to Plaintiffs the amount of all interest and illegal fees already paid plus all applicable statutory damages;
2. Awarding Plaintiffs monetary damages currently estimated to equal \$29,000.00 plus an additional \$493.83 per month from the date of filing of this Complaint until the date Judgment is entered, plus attorneys' fees and costs.

3. For such other and further relief, as the Court deems just and proper, that the Plaintiffs are entitled to receive.

JURY DEMAND

Plaintiff demands a trial by jury on all claims so triable.

Respectfully Submitted,



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